

**ADVISORY COMMITTEE ON VETERANS BUSINESS AFFAIRS  
FISCAL YEAR 2003 REPORT**

**TO**

**THE PRESIDENT AND CONGRESS**

**SUBJECT**

**THE ACTIVITIES OF THE COMMITTEE AND RECOMMENDATIONS FOR  
THE PROMOTION OF SMALL BUSINESS CONCERNS OWNED AND  
CONTROLLED BY VETERANS**

**AS REQUIRED BY  
THE VETERANS ENTREPRENEURSHIP AND SMALL BUSINESS  
DEVELOPMENT ACT OF 1999 [PUBLIC LAW 106-50]**

**SUBMITTED THIS - DAY OF October 31, 2003**

**Members of  
ADVISORY COMMITTEE ON VETERANS BUSINESS AFFAIRS**

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## **EXECUTIVE SUMMARY**

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The Advisory Committee on Veterans Business Affairs (Committee) submits this annual report pursuant to the Veterans Entrepreneurship and Small Business Development Act of 1999 (Public Law 106-50). Section 203 of the Act directs the Committee to transmit a report to the Congress and to the President on the activities of the Committee and any recommendations developed by the Committee for the promotion of small business concerns owned and controlled by veterans. This report contains detailed information relating to the activities of the Committee and its recommendations for the promotion of small business concerns owned and controlled by veterans.

Since the formal naming of the members of the Committee by the Administrator of the U.S. Small Business Administration (SBA) in Fiscal Year 2003, the Committee has successfully established an operational structure to ensure the successful attainment of its stated mission through an aggressive agenda with specific goals, objectives and outcomes. Additionally, the Committee meticulously defined and outlined the necessary required steps to be taken to identify the availability and utilization of federal, state and private business development assistance programs and services by identifiable veteran entrepreneurs. Finally, the Committee also spent considerable time and effort to identify, collect and analyze historical data, facts, and studies to determine the accessibility and utilization of such programs and services by identifiable veteran entrepreneurs.

The Committee, as a formal body, held its first full-Committee meeting in April, 2003, at SBA Headquarters. The two-and-half-day meeting served as a detailed introduction, provided by SBA's Office of Veterans Business Development (OVBD), regarding P.L. 106-50, stated mission and duties of the Committee, programs and services available to veterans through the SBA and its resource partners, and various reports and studies conducted by the SBA and other agencies/departments relating to the needs of veteran entrepreneurs. The second and third meetings, held in June and in September of 2003, served as full Committee working meetings. Members, whom had been tasked with specific fact finding missions, provided overviews and guidance relating to the needs of veteran entrepreneurs and the availability of programs and services to meet those entrepreneurial needs. The Committee is extremely pleased with the Herculean efforts of its members and its accomplishments within the past six months to familiarize itself with veteran entrepreneurship and the availability and accessibility of various federal, state and private entrepreneurial programs and services.

In an effort to ensure that the Committee fully and successfully meets its goals and objectives as stipulated in P.L. 106-50, the following sub-committees and task groups have been formed:

- **Subcommittee on Veteran Business Development.**

This subcommittee researches and provides recommendations and guidance to the full Committee on the needs of veteran entrepreneurs to successfully form, develop, and grow small business concerns.

- **Subcommittee on Procurement.**

This subcommittee researches and provides recommendations and guidance to the full Committee on the needs of veteran-owned small business concerns seeking to more successfully participate in federal and private procurement.

- **Subcommittee on Veterans Outreach.**

This subcommittee researches and provides recommendations and guidance to the full Committee on the unique needs and requirements of service-connected disabled veterans, women veterans, Native American veterans, and veterans from diverse ethnic backgrounds, including members of Reserve components of the US military, seeking to develop and expand successful businesses.

- **Subcommittee on Financial Assistance**

This subcommittee researches and provides recommendations and guidance to the full Committee in the area of availability and accessibility of financial assistance for veteran owned small business concerns and for veteran entrepreneurs seeking to start small business concerns.

- **Subcommittee on Management & Technical Assistance**

This subcommittee researches and provides recommendations to the full Committee in increasing and enhancing the availability and accessibility of management and technical assistance for veteran entrepreneurs.

- **Special Task Group on Veterans Global Reconstruction & Investment Programs (VGRIP)**

The Committee established this Task Group to research and provide advice and policy recommendations to the full Committee regarding those plans, programs, and initiatives associated with reconstruction, overseas investment and economic development programs associated with American involvement in Iraq, Afghanistan, and other foreign countries required to promote the formation, development, and growth of small business concerns owned and controlled by veterans.

The attacks on America on September 11, 2002, led directly to ongoing mobilizations of historic proportions of members of the Reserve and National Guard.

The full Committee's response has been to focus on the anticipated effects of these activations on self employed member of the Reserve and National Guard and the availability of existing or potential resources to assist such small businesses. Additionally, the Committee also seeks viable ways to enhance veteran and service-connected disabled veteran small business participation in the ongoing War on terrorism.

The Committee is pleased with its achievements and offers the following recommendations for the promotion of small business concerns owned and controlled by veterans:

- Congress and the Administration support the allocation of resources necessary for SBA to develop and operate a nationwide veteran entrepreneurial development system uniquely tailored to meet the needs of veterans and Reserve and National Guard members.
- Congress and the Administration support the allocation of resources necessary to address the unique circumstances faced by members of the Reserve and National Guard who are called to federal active duty and are small business owners.
- Congress and the Administration support the allocation of resources necessary to determine the effects of voluntary or conscripted military service on small business start up, operation and growth following military service. Additionally, further research should be conducted to determine and identify those arenas of the national economy most beneficial to veteran owned small business concerns.
- The Committee supports the intent of HR 1460 to level the accessibility of and opportunity for service-disabled veteran owned small business to compete equally for federal procurement, and further, that all veteran small business be afforded equal opportunity to compete for federal procurements.
- The Committee recommends that Congress and the Administration support the implementation of prioritized federal procurement contracting and sub-contracting for veteran and service-disabled veteran owned small businesses in the ongoing war on terrorism.
- The Committee recommends that Congress and the Administration consider the feasibility of legislation to establish or modify existing and proposed federal resources to include a Special Veterans Patriot Benefits package for those military personnel who participate in operations in Iraq, Afghanistan, and the War on Terrorism. Such legislation should be designed to enable veterans and members of the Reserve and National Guard to use their benefits programs to support legitimate small business entrepreneurship.

This package should be modeled after the successful GI Bill of World War 2, and should consider provisions of special benefits and incentives, such as utilization of funds for purposes of entrepreneurial opportunity and small business ownership, for those military members returning to the private/civilian sector after national service.

## ADVISORY COMMITTEE JUSTIFICATION

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The Advisory Committee on Veterans Business Affairs, in accordance with P.L. 106-50, was established to serve as an independent source of advice and to provide policy recommendations to the Administrator of the SBA, the Associate Administrator for the Office of Veterans Business Development of the SBA, the Congress, the President and other United States policymakers. As an independent source of advice and policy recommendations, the Committee is tasked with the following duties:

- Review, coordinate, and monitor plans and programs developed in the public and private sectors, that affect the ability of small business concerns owned and controlled by veterans to obtain capital and credit and access markets;
- Promote the collection of business information and survey data as they relate to veterans and small business concerns owned and controlled by veterans;
- Monitor and promote plans, programs, and operations of the departments and agencies of the United States that may contribute to the formation and growth of small business concerns owned and controlled by veterans;
- Develop and promote initiatives, policies, programs, and plans designed to foster small business concerns owned and controlled by veterans; and
- In cooperation with the National Veterans Business Development Corporation, develop a comprehensive plan, to be update annually, for joint public-private sector efforts to facilitate growth and development of small business concerns owned and controlled by veterans.

## **FY 2003 COMMITTEE ACTIVITIES**

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Since the formal naming of the members of the Committee in Fiscal Year 2003, the Committee has, to ensure accurate understanding of the complexities of veteran entrepreneurship and the needs of such entrepreneurs, diligently poured over a substantial body of data and materials relating to veteran entrepreneurship. Such materials included demographic data regarding veteran small business ownership, participation levels by veteran entrepreneurs in SBA's programs and other federal agencies' programs and services, and a review of initiatives of the National Veterans Business Development Corporation.

Through this process, the Committee determined and identified several extremely important areas that would require much more research and analysis. Consequently, it was concluded that the best approach would be to create subcommittees and task groups to uniquely address each area of entrepreneurship and the availability of assistance and services to address those needs. The Committee has formally established the following Subcommittees and Task Groups:

### **1. Subcommittee On Veteran Business Development**

This subcommittee researches and provides recommendations and guidance to the full Committee on the needs of veteran entrepreneurs to successfully form, develop, and grow small business concerns.

#### **Duties**

- Serve as a source for advice pertaining to the development of initiatives, plans, and programs that may contribute to the formation, development, and growth of small business concerns owned and controlled by veterans.
- Develop in cooperation with the National Veterans Business Development Corporation a comprehensive plan, to be updated annually, for joint public – private sector efforts to facilitate growth and development of small business concerns owned and controlled by veterans.
- Transmit, no later than 30 days prior to the end of the fiscal year, to the Committee a report describing the activities of the Subcommittee and any recommendations developed by the Subcommittee for the promotion for small business owned and controlled by veterans.



## **2. Subcommittee on Procurement**

This subcommittee researches and provides recommendations and guidance to the full Committee on the needs of veteran-owned small business concerns seeking to participate more successfully in federal and private procurement.

### **Duties**

- Serve as a source for advice pertaining to the development of initiatives, plans, and programs pertaining to government contracting and other procurement, such as:
  - procurement procedures, procurement resources, small and disadvantaged business utilization, and
  - opportunities provided to veterans in specialized programs including but not limited to the Historically Underutilized Business Zone (HUBZone) Empowerment Contracting Program, the Section 8(a) program and the Small and Disadvantaged Business Utilization program.
- Transmit, no later than 30 days prior to the end of the fiscal year, to the Committee a report describing the activities of the Subcommittee and any recommendations developed by the Subcommittee relevant to federal, state and private procurement.

## **3. Subcommittee on Veterans Outreach.**

This subcommittee researches and provides recommendations and guidance to the full Committee on the unique needs and requirements of service-connected disabled veterans, women veterans, Native American veterans, and veterans from diverse ethnic backgrounds, including members of Reserve components of the US military and the National Guard, seeking to develop and expand successful businesses.

### **Duties**

- Serve as the source for advice pertaining to the development of outreach initiatives, plans, and programs that may contribute to the expansion of small business concerns by veterans, disabled veterans, women veterans, native veterans, and veterans from diverse ethnic backgrounds, and to members of the Reserve and National Guard.

- Work closely with the comprehensive National Outreach Initiative of the Office of Veterans Business Development, including the Veterans Business Outreach Program (VBOP) centers in the development of outreach & business training, counseling, and mentoring programs, including the use of the internet in service delivery.
- Transmit, no later than 30 days prior to the end of the fiscal year, to the Committee a report describing the activities of the Subcommittee and any recommendations developed by the Subcommittee for the promotion for small business owned and controlled by veterans, service-disabled veterans, women veterans, Native American veterans, and veterans from diverse ethnic backgrounds, and members of the Reserve and National Guard.

#### **4. Subcommittee On Financial Assistance**

This subcommittee researches and provides recommendations and guidance to the full Committee in the area of availability and accessibility of financial assistance for veteran owned small business concerns and for veteran entrepreneurs seeking to start small business concerns.

##### **Duties**

- Serve as a source for advice pertaining to the development of initiatives, plans, and programs that may contribute to providing financial assistance to all veterans regarding access to capitol and credit.
- Review annually all current plans and policies that may apply to SBA lending programs relative to their availability, access, and effectiveness within the veteran small business/entrepreneurial community.
- Transmit, no later than 30 days prior to the end of the fiscal year, to the full Committee a report describing the activities of the Subcommittee and any recommendations developed by the Subcommittee for the promotion for small business owned and controlled by veterans.

#### **5. Subcommittee On Management & Technical Assistance**

This subcommittee researches and provides recommendations to the full Committee on increasing and enhancing the availability and accessibility of management and technical assistance for veteran entrepreneurs.

## **Duties**

- Serve as the source for advice pertaining to the development of initiatives, plans, and programs that may contribute to the enhancement of economic opportunity by providing small businesses management, technical assistance and training.
- Review plans, programs, and policies relating to the Small Business Development Centers, SCORE, and Women's Business Centers and other management and technical assistance programs as they apply to all veterans.
- Transmit, no later than 30 days prior to the end of the fiscal year, to the full Committee a report describing the activities of the Subcommittee and any recommendations developed by the Subcommittee for the promotion for small business and controlled by veterans.

## **6. Special Task Group On Veterans Global Reconstruction & Investment Programs (VGRIP)**

This Task Group researches and provides advice and policy recommendations to the full Committee regarding those plans, programs, and initiatives associated with reconstruction, overseas investment and economic development programs associated with American involvement in Iraq, Afghanistan, and other foreign countries required to promote the formation, development, and growth of small business concerns owned and controlled by veterans.

## **Duties**

- Serve as a source for advice pertaining to the development of initiatives, plans, and programs that may contribute to the formation, development, and growth of small business concerns owned and controlled by veterans for participation in all American Government reconstruction and investment efforts in Iraq, Afghanistan, and other foreign countries.
- Develop in concert with the SBA Office of Veterans Business Development and other federal department/agencies a special information program that encourages participation by veteran small business concerns in all reconstruction and investment efforts in Iraq, Afghanistan, and other foreign countries, ensuring that veteran small business concerns receive special consideration in business activities.
- Develop and provide recommendations to the SBA pertaining to the utilization of veteran small business subcontractors by Prime Contractors involved with reconstruction and investment efforts in Iraq, Afghanistan, and other foreign countries ensuring that veterans receive special consideration in sub-contracting opportunities.

- Conduct where resources allow, regional public information and policy fact-finding sessions to facilitate appropriate levels of veteran small business involvement associated with all reconstruction and investment efforts in Iraq, Afghanistan, and other foreign countries.
- Transmit, no later than 30 days prior to the end of the fiscal year, to the full Committee a report describing the activities of the Special Task Group and any recommendations developed by the Special Task Group pertaining to veteran involvement in reconstruction and investment efforts in Iraq, Afghanistan, and other foreign countries to the full Committee.

### **6.1 The War on Terrorism and Its Effect on Small Business Ownership of Reserve and National Guard Members**

Because of the ongoing War on Terrorism, and its potential detrimental effect on veterans and Reserve and National Guard small business ownership, immediate Committee priority was given to the needs of Reserve and National Guard member owned small businesses. Committee deliberations and recommendations focused on three (3) important factors:

- 6.1.1 the current transition process of veterans and members of the R & G back into the private sector;
- 6.1.2 the net effects of activation on those members of the R & G who are self employed small business owners; and
- 6.1.3 the existing organizations, programs and resource requirements to fully support those R & G members who are self employed, or who may make the decision to pursue self employment following discharge.

#### **6.1.1 Transition of Veteran and Activated Reserve and National Guard Members to Civilian Life**

The current transition process for veterans and for de-mobilizing members of the activated Reserve and National Guard does not always address or have a systematic focus on small business (re)establishment. While numerous SBA employees and resource partners make special efforts to participate in the Transition Assistance Programs (TAP), there is no formalized program offering potential business planning prior to discharge, small business counseling or training at the point of discharge, or coordinated referrals to potential business planning assistance upon return to the home of record of former member of the armed services.

**6.1.2** *Effects of Activation in Support of Combat Operations In Iraq, Afghanistan, and the War On Terrorism on members of the National Guard and Reserve Who Are Self Employed or Owners of Small Businesses*

In 1992, the Rand Corporation conducted an independent study for the Department of Defense to determine the effects of activation of Reservists and National Guardsmen in support of Desert Storm/Shield. The report provided to the House and Senate Committees on Armed Services, outlined the economic effects of those activated members who were self employed and who owned small businesses.

A brief synopsis of the results of this independent study by the Rand Corporation (1992) indicates that approximately:

- 6 percent of mobilized Reserve and Guard members were self employed (SE);
- 1/3 of the SE members were officers and 2/3 were enlisted;
- 17 percent were in medical-related fields;
- 40 percent of Enlisted were in construction or medical fields;
- 45 percent of SE officers lost income, and 55 percent of SE enlisted lost income;
- More than 2/3 of all SEs lost income;
- 80 percent of SE officers and 70 percent of enlisted personnel incurred post activation expenses;
- 90 percent of SE officers and 65 percent of SE enlisted suffered post activation income losses; and
- 48 percent of all SE small businesses suffered serious or moderate damage.

The Rand Report (1992) continues by stating that about 40 percent of all Reservists would lose income during a hypothetical 12-month activation. Their estimates indicated that some Reservists would suffer very large losses; with about 10 percent of both the officer and enlisted populations losing one-third or more of their family income. It was further estimated that 2 percent of both groups would lose 50 percent or more of their family income. In this estimation, income losses were spread throughout all ranks and military occupations (*Rand Corporation Report, 1992*). The data further indicated that large losses would be more frequent for higher ranking members and for those members who were self-employed, with perhaps self-employed enlisted members experiencing a lower likelihood of large losses (*Rand Corporation Report, 1992*).

The Rand Report (1992) also looked at the extent of damage to Reservists' businesses or practices, which the activated Reservists had reported experiencing. **Table-1** shows the percent of Reservists who were self-employed and not self-employed, respectively, and who reported that their businesses or medical practices were seriously or moderately damaged by their activation.

**Table 1**  
**Percent of Self-Employed and Not Self-Employed Reservist**  
**Who Reported Their Business or Medical Was Seriously or Moderately Damaged**

	Self-employed		Not Self-employed	
	Serious	Serious/Moderate	Serious	Serious/Moderate
<b>Category</b>				
<b>Enlisted</b>	30.3%	47.6%	1.4%	3.0%
<b>Non-medical officers</b>	44.6%	66.6%	3.4%	7.4%
<b>Physicians</b>	53.0%	80.0%	24.1%	46.2%
<b>Dentist</b>	60.5%	87.8%	18.4%	41.5%
<b>Nurses</b>	49.6%	68.5%	2.8%	5.9%
<b>Veterinarians</b>	67.8%	95.5%	12.8%	26.0%
<b>Optometrists</b>	49.1%	86.7%	5.8%	24.3%
<b>Pharmacists</b>	86.7%	86.7%	9.5%	17.6%
<b>Psychologists</b>	72.0%	100.0%	19.4%	28.8%

**Table-1** shows a significant percentage of self-employed Reservists who reported serious damage to their businesses or practices. The lowest percentage of serious damage reported by self-employed members in any category was by enlisted members who reported serious losses of 30 percent.

The table also shows that Reservists in the health care professions—particularly physicians and dentists—reported significant damage to their practices even though they were not self-employed. Among Reservists who were not self-employed, there was a significant difference in the percent reporting damage between Reservists who were in the health care professions, other than nurses, and other Reservists who were not self-employed. The report concludes that it is clear that for professions which are dependent on a patient or client base, lengthy absences can affect the providers' practices or occupations even if the individuals are employed (*Rand Corporation Report, 1992*).

Looking at the impact of activation on Reservists and Guardsmen in the Desert Shield/Storm conflict, the Rand Report (1992) concluded that not all Reservists who owned or operated their own business or practice were solely self-employed. To discern the impact activation had on these members, they were separated into the following categories:

- Reservists who reported self-employment as their only employment;
- Those who indicated they were self-employed but also indicated that they worked a civilian job or were retired; and
- Those who did not indicate that they were self-employed.

For Reservists who indicated that they were only self-employed, i.e., dentist, psychologists, veterinarians or podiatrists, they were most likely to report that activation damaged their businesses or medical practices. For those who reported some other employment status, the report concluded that the pattern was somewhat more complex.

Enlisted members who were solely self-employed were much more likely to report serious or moderate damage than were those who also reported another employment status. The same pattern existed for officers not serving in the health care professions, but the difference between the two groups were less pronounced concludes the report (*Rand Corporation Report, 1992*). Health care providers who reported another employment category were much less likely to report serious damage to their business or medical practice. However, (*Rand Corporation Report, 1992*) when looking at those reporting moderate damage, more than four of five dentists, optometrists, psychologists, veterinarians, and podiatrists who indicated another occupation or status in addition to self-employment reported at least moderate damage to their business or practice as a result of their active military service.

A summary of these results are illustrated below.

**Table-2**  
**Percent of Self-Employed and Not Self-Employed Reservist**  
**Who Reported Their Business or Medical Practice Was**  
**Seriously or Moderately Damaged**

	Marked Only Self- Employed		Self- Employed + Civilian Job/Other		Not Self- Employed	
	Serious	Serious/Moderate	Serious	Serious/Moderate	Serious	Serious/Moderate
<b>Category</b>						
<b>Enlisted</b>	40%	56%	23%	42%	1%	3%
<b>Non-medical officers</b>	47%	60%	43%	54%	3%	9%
<b>Physicians</b>	44%	79%	50%	76%	24%	53%
<b>Dentist</b>	55%	91%	57%	92%	24%	58%
<b>Nurses</b>	20%	56%	21%	55%	3%	9%
<b>Optometrists</b>	50%	78%	49%	100%	6%	32%
<b>Psychologists</b>	100%	100%	58%	100%	21%	41%
<b>Veterinarians</b>	66%	100%	78%	86%	6%	30%
<b>Pharmacists</b>	47%	72%	17%	57%	13%	21%
<b>Podiatrists</b>	65%	100%	24%	100%	-----	-----

Based on the results of the 1992 Rand Report, *Effects of Activation in Support of Operations Desert Shield and Desert Storm on Members of the National Guard and Reserve Who Were Self Employed or Owners of Small Business*, we can conceivably speculate that Reserve and National Guard members currently activated in support of the war in Iraq, Afghanistan and the War on Terrorism will experience the same or similar devastating economic effects to their businesses and families, resulting from a substantial loss of income as a direct result of their activation.

While it is apparent from the Rand Report (1992) that all members of the Reserve and National Guard experience some degree to economic loss, it is clear that those members who rely solely on self-employment or small business ownership as their livelihood suffer much more adversely devastating and long-term economic effects from activation than do those members who are not self-employed, or who are self-employed in addition to being employed in a civilian job or in some other capacity.

To counter such devastating economic impacts on Reservists and National Guardsmen and their families during activation and upon their release to civilian life, measures must be implemented to assure them of the necessary access to funding and support systems to aid them and their families until these Reservists and Guardsmen are in a position to:

- financially resume the operation of their small businesses or return to self-employment, and
- financially able to repay the debts incurred during activation and resumption of their civilian careers upon release from active duty.

Recommendations on measures or initiatives that may be implemented to help Reservists and National Guardsmen called to active duty are outlined in Appendix B at the end of this report.

### **6.1.3 Existing Resources**

In response to PL 106-50, the SBA has implemented a special loan program titled the Military Reservists Economic Injury Disaster Loan (MREIDL) for small businesses who suffer economic injury as a result of the federal activation of an essential employee. Following implementation, significant outreach efforts have been undertaken by the SBA Administrator's Office, and the SBA Offices of Disaster Assistance, Public Affairs and Veterans Business Development to the Reserve and Guard community. Through FY 2003, 124 MREIDL loans have been approved for a total of \$10,133,000. However, because this loan program is designed for small businesses affected by the activation of an essential employee of the business, it has not been broadly or specifically applicable to activated self employed Reserve and Guard members.

As noted previously, the 1992 Rand Report found that the majority of activated self employed members of the Reserve and Guard suffered measurable economic loss during activation and following their return. Subsequent to that report, the U.S. General Accounting Office, in a 2003 report to Congressional Committees on Military Personal,



recommended that the Department of Defense (DOD) “determine the need for and, if necessary, develop targeted compensation programs to address income loss incurred by certain activated reservists.” The GAO report determined, after analyzing a 2000 DOD survey of reservists who served in military operations from 1991 to 2000, that “about 41 percent lost income, and that a higher percentage of reservists in certain groups, such as self-employed individuals and health care professionals, lost income compared with reservists overall.”

In this vein, the SBA has been aggressive in focusing special assistance for, and reaching out to activated members of the Reserve and National Guard to offer assistance. A special SBA R&G committee was formed that continues to coordinate outreach with the Department of Defense and other organizations associated with the Reserve and Guard. The SBA also established a special web site for R&G members, and printed a special SBA R&G Fact Sheet detailing available assistance. This Fact Sheet has been disseminated to more than 300,000 activated members of the Reserve and Guard. However, the agency also recognizes that in some instances, significant damage may occur to small businesses owned by the activated R&G members that lie beyond the present resource capability of the agency, and those of other federal agencies.

The War on Terrorism, nevertheless, represents one of the largest activations and deployments of Reserve component forces in the history of America, and the expectation is that ongoing and future activations will continue for an extended period of time. To prevent or reduce significant hardships and economic losses to members of the R & G, and the nation’s economy, an immediate determination the following:

- ascertain the economic and other effects of activation of R & G personnel who own small businesses;
- review established special policies and support programs, and the adequacy or inadequacy of resources to support the transition of members of the R & G back to successful small business ownership and operation is imperative; and
- consider that the provision of special lending programs tailored to the unique circumstances that members of the Reserve and Guard face is required to help ensure that economic damage is minimized by activations and their corresponding return to self employment.

As such, we support the proposed Patriot Loan Program under consideration by the SBA.

7. *Veteran Small Business Participation in Global Reconstruction and Investment Programs.*

On April 29, 2003 the Executive Office of The President issued a memorandum to all heads of departments and agencies encouraging agencies to focus contracting efforts on small businesses owned and controlled by veterans, including service-disabled veterans.

Reconstruction efforts in Iraq, Afghanistan, and other areas of the world require a tremendous level of funding, manpower, and expertise in a variety of skills. Small businesses owned and controlled by veterans provide a high degree of capability and expertise in a multitude of required services. However, no effort has been made to ensure that veterans are provided any preference or priority in competing for contracts associated with reconstruction efforts. Based on an initial survey of several small businesses owned and controlled by veterans, this Committee is recommending that another policy directive from the Executive Branch be issued to provide a prioritization of those small business contracts and sub-contracts to capable small concerns owned and controlled by veterans in Reconstruction efforts in Iraq, Afghanistan, and other areas throughout the globe is considered timely and appropriate. Essential Supply and support function for overseas reconstruction efforts can legitimately be provided by veteran-owned firms, from a base of knowledge that includes their former and ongoing military service.

## **RECOMMENDATIONS FOR THE PROMOTION OF SMALL BUSINESS CONCERNS OWNED AND CONTROLLED BY VETERANS**

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The Committee offers the following recommendations for the promotion of small business concerns owned and controlled by veterans:

1. Congress and the Administration support the allocation of resources necessary for SBA to develop and operate a nationwide veteran entrepreneurial development system uniquely tailored to meet the needs of veterans and Reserve and National Guard members.
2. Congress and the Administration support revisions to the earned “GI Bill” benefits with the intent of enabling its use to include for purposes of entrepreneurial opportunity and small business ownership.
3. Congress and the Administration support the allocation of resources necessary to address the unique circumstances faced by members of the Reserve and National Guard who are called to federal active duty and are small business owners.
4. Congress and the Administration support the allocation of resources necessary to determine the effects of voluntary or conscripted military service on small business start up, operation and growth following military service. Additionally, further research should be conducted to determine and identify those arenas of the national economy most beneficial to veteran owned small business concerns.
5. The Committee supports the intent of HR 1460 to level the accessibility of and opportunity for service-disabled veteran owned small business to compete equally for federal procurement, and further, that all veteran small business be afforded equal opportunity to compete for federal procurements.
6. The Committee recommends that Congress and the Administration support the implementation of prioritized federal procurement contracting and sub-contracting for veteran and service-disabled veteran owned small businesses.
7. Initiate discussions with the appropriate Congressional Committee to identify the feasibility of writing legislation to establish or modify existing and proposed federal resources to include a Special Veterans Patriot Benefits package for those military personnel who participate in operations in Iraq, Afghanistan, and the War on Terrorism. Such legislation should be designed to enable veterans and members of the Reserve and National Guard to use their benefits programs to support legitimate small business entrepreneurship. This package should be modeled after the successful GI Bill of World War 2, and should consider provisions of special benefits and incentives for those military members returning to the private/civilian sector after national service.

## **RECOMMENDATIONS TO SBA FOR IMPLMENETATION OF NEW OR EXTENSION OF EXISTING SBA PROGRAMS TO ASSIST VETERANS**

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The Committee recommends implementation of the following new initiatives or extension of existing SBA programs to assist veteran small business owners and entrepreneurs:

1. Give immediate priority, by identifying and directing Agency resources to target military personnel returning from combat operations in Iraq, Afghanistan, and the War on Terrorism.
2. Examine the feasibility of establishing a special lending initiative tailored to the unique economic circumstances being faced by Reserve and National Guard small business owners.
3. Expand SBA's current community-based pilot initiative beyond the Small Business Development Centers to include veteran operated business development community based centers and organizations.
4. Initiate a comprehensive three year plan to determine the feasibility of fully funding and establishing community based, veteran operated business development centers.
  - This three year plan should include the implementation of no less than 10 Regional Veterans Business Centers, 25 fully funded SBA Model Veteran Entrepreneur Training (VET) Programs, and 35 funded Local volunteer Veterans Business Councils.
  - This plan should include the active involvement and use of SBA District Offices, and other SBA resource partners, including SBDCs, SCORE Chapters, and Women's Business Centers, and where appropriate, programs and resources of the National Veteran's Business Development Corporation.
5. Coordinate initiatives, when possible, with the Departments of Defense, Labor and Veterans Affairs for better delivery and accessibility of such services.
7. Initiate discussions with the Executive Office of the President to determine the possibility of issuance of a Presidential directive encouraging all Federal departments and agencies to focus on procurement goals for small businesses owned and controlled by veterans, including service disabled veterans, for all global reconstruction and international investment efforts.

- 8.** Develop a Special SBA Transition Assistance Program (TAP) with a specialized veterans component which is coordinated with the Departments of Labor and Veterans Affairs.
  - Facilitate the use of resources from both the public and private sector for implementation of the SBA TAP that includes participation from organizations like the NVBDC, VSO's, corporate sponsors, and state and local public and private organizations such as the Chamber of Commerce and Economic Development Corporations.
- 9.** Identify and publicize SBA's and the Department of Defense's available or potential resources and programs that are designed to mitigate the damages to small businesses owned and controlled by members of the Reserve and National Guard, to maximize demobilized members of the Reserve and Guard ability to successfully operate or (re)establish small businesses following demobilization. These efforts should include special access to capital, credit, technical assistance and government procurement.
- 10.** Develop Pre- and Post-mobilization Planning kits for Reserve and National Guard members called to active duty.

## **APPENDIX**

### **AVAILABLE DATA AND INFORMATION REGARDING VETERAN ENTREPRENEURSHIP ANALYZED BY THE COMMITTEE**

The first, major investment of federal resources in support of small business opportunity for citizens was the Servicemen's Readjustment Act of 1944, (P.L. 346, 78thCongress), the "GI Bill".

"The GI Bill changed the lives of millions by replacing old roadblocks with paths of opportunity. And, in so doing, it boosted America's workforce, it boosted America's economy, and really, it changed the life of our nation" *President George Bush, (June 5, 1990).*

The four elements of the GI Bill were revolutionary as post-war investment of federal benefits into America's citizen soldiers, they were; 1) Readjustment benefits while unemployed 2) Educational benefits at Colleges and Universities of their choice, including business schools 3) Vocational education and on-the-job training, and 4) Government loan guarantees for the purchase of homes, farms and businesses.

More than 2.2 million former GIs went to college on this GI bill, and another 3.5 million attended business schools, art and drama schools and even high school. Approximately 1.4 million participated in on-the-job training, and 690,000 participated in farm training.

Between 1944 and 1954, 3.5 million citizen soldiers received government loan guarantees in acquiring homes, farms AND BUSINESSES; this included more than 214,000 small business loan guarantees. The SBA predecessor, Reconstruction Finance Corporation, utilized, GI Bill business loan guarantees to provide small business loans to veterans prior to SBA's creation in 1953.

The small business loan provisions were extended to Korean War veterans, and then discontinued in 1974. Between 1944, and 1974, 229,245 GI Bill small-business loans were guaranteed for veterans. The GI Bill marked the first national investment of government small business resources into Americas Citizens in America's history, fueling the expansion of the American middle class, and the growth of the American economy to international preeminence.

Between 1974, and 1999, the SBA developed special assistance for hundreds of thousands of veterans, including Veteran Entrepreneurial Training (VET) programs, special designated field staff, local Veterans Business Resource Councils, and special direct loan programs. However, special small business services for veterans diminished and waned during the mid and late 1990s, along with a corresponding decline of veteran's participation in agency programs.

In 1999, Congress passed the Veterans Entrepreneurship and Small Business Development Act of 1999 (PL 106-50). Since PL 106-50's passage, significant public and private activity for entrepreneurial veterans has increased, most significantly by the US Small Business Administration. In the last three years significant outreach has been initiated by SBA, and the numbers of veterans assisted by SBA has increased significantly. In the last two years, the numbers of loans guaranteed by SBA for veterans has increased to mid 1990 levels, and specific outreach and assistance for members of the Reserve and National Guard has been initiated by SBA in collaboration with others. The establishment of this Advisory Committee on Veterans Business Affairs is another significant step in SBA reaching out to, and engaging the veteran's entrepreneurial community. This Committee intends to utilize that engagement to assist the SBA, Congress and the President to shape, programs and policy recommendations tailored to the unique needs, aspirations and opportunities that the veteran's community embodies.

This Committee considers its work as a crucial component in SBA efforts to provide special and full assistance to veterans, thus enabling our Nation's citizen soldiers to succeed in small business, while bolstering our Nation's economy.

In 1992, the Census Bureau's Economic Census, Characteristics of Business Owners (CBO92-1) estimated that approximately 4.2 million American small businesses were owned by veterans, including approximately 313,000 small business owned by disabled veterans (note, not all disabled veterans are service-connected disabled veterans). This data has not been collected since 1992. However, the Census Bureau is conducting their 2002 Survey of Business Owners and Self-Employed Persons. We are pleased to report that this 2002 Survey does contain questions on veteran and service-disabled veteran businesses ownership. When completed, this Survey will provide the best data ever available on the status of veteran owned small businesses in America.

The SBA Office of Advocacy, with the assistance of the SBA Office of Veterans Business Development, is presently conducting research projects that focus on veterans' interest and participation in government programs for entrepreneurship, and that evaluate existing veteran business owner data bases for validity and quality.

The data flowing from the 2002 Census Bureau Survey of Business Owners and Self-Employed Persons will allow for significant and ongoing comparisons of veteran and service-disabled veteran owned small businesses to other small businesses for size, number of employees etc. This will prove invaluable as we move forward with further research and recommendations. It is anticipated that the 2002 data will be available beginning sometime in 2005. When completed, the Advocacy research, and the Census data will prove invaluable in the deliberations of this Committee.

Since PL 106-50 passage, SBA has undertaken a vigorous implementation, and these efforts are effectively increasing veteran participation in agency programs. The following is a basic synopsis of agency assistance for veterans from that year forward.

**Table 1**

<b>Fiscal Year</b>	<b># of Loans to Veterans</b>	<b># of Veterans Assisted</b>
1995	<b>8,791</b>	<b>87,096</b>
1996	<b>7,321</b>	<b>80,998</b>
1997	<b>6,729</b>	<b>78,583</b>
1998	<b>6,029</b>	<b>71,281</b>
1999	<b>5,645</b>	<b>73,188</b>
2000	<b>5,405</b>	<b>98,332</b>
2001	<b>5,310</b>	<b>129,738</b>
2002	<b>6,074</b>	<b>358,489</b>

The SBA Office of Veterans Business Development is working with SBA program offices to ensure that veterans and service-disabled veteran participation is tracked in all agency program areas.

The National Veterans Business Development Corporation is developing data bases of veteran, Reserve and National Guard business owners, and the US Department of Veterans Affairs is developing a data base of service-disabled veteran's business owners in support of federal procurement efforts.